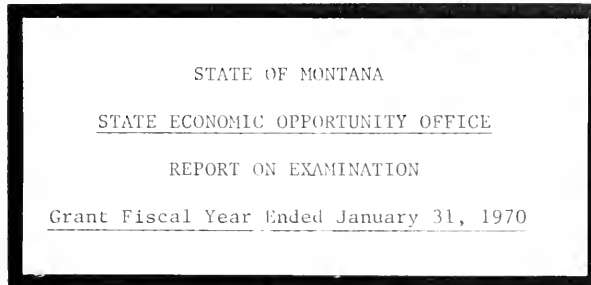


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STATE OF MONTANA

STATE ECONOMIC OPPORTUNITY OFFICE

REPORT ON EXAMINATION

Grant Fiscal Year Ended January 31, 1970

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ELECTIVE AND ADMINISTRATIVE OFFICIALS

STATE ECONOMIC OPPORTUNITY OFFICE

Honorable Forrest H. Anderson

Governor

Philip E. Roy

Director

SUMMARY OF RECOMMENDATIONS

Page

Maintain formal employee attendance and leave records for
all employees.

4

Establish and maintain adequate supporting documentation
for in-kind services.

4



STATE OF MONTANA
Office of the Legislative Auditor
STATE CAPITOL
HELENA, MONTANA 59601

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Montana State Economic Opportunity Office as of January 31, 1970, and the related statements of operation, as set forth in the table of contents in this report, for the federal grant fiscal year then ended. Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The federal government's "Accounting System Survey and Audit Guide" was utilized during our examination to insure that federal grant requirements were considered.

In our opinion, the accompanying financial statements present fairly the financial position of the Montana State Economic Opportunity Office as of January 31, 1970, and the results of its operations for the year then ended, on a basis consistent with that of the preceding grant period and in conformity with generally accepted governmental accounting principles, applicable state laws, and provisions of the federal community action program grant.

We submit the financial statements listed in the preceding table of contents together with the following comments.

COMMENTS

GENERAL

The Montana State Economic Opportunity Office was established under Chapter 263, Montana Laws of 1965, within the Office of the Governor. The SEO office has the responsibility for coordinating community action programs in Montana and provides assistance as a consultant to those programs. The office is financed 80% by federal government grants and 20% by General Fund appropriations and in-kind services furnished by the state. The first grant period began August 6, 1965. The table below displays the history of this program, a projection for the program currently operating, and the level of participation required of the state for matching funds:

	<u>G r a n t P e r i o d</u>				<u>Authorized</u>
	<u>8/65-4/67</u>	<u>5/67-1/68</u>	<u>2/68-1/69</u>	<u>2/69-1/70</u>	<u>2/70-1/71</u>
Total Expenditures	\$54,204	\$24,995	\$31,687	\$41,951	
Less Non-sharable Costs	<u>2,660</u>	<u>39</u>	<u>64</u>	<u>28</u>	
Expenditures to be Shared	<u>\$51,544</u>	<u>\$24,956</u>	<u>\$31,623</u>	<u>\$41,923</u>	
State Matching Requirements	10%	10%	10-20%	20%	20%
State Participation:					
In-kind	\$ 3,288	\$ 1,740	\$ 2,495	\$ 4,614	
Cash	<u>1,866</u>	<u>756</u>	<u>3,288</u>	<u>3,824</u>	
Total	<u>5,154</u>	<u>2,496</u>	<u>5,783</u>	<u>8,438</u>	\$10,572
Federal Participation	<u>46,390</u>	<u>22,460</u>	<u>25,840</u>	<u>33,485</u>	<u>42,274</u>
Total Shared Expenditures	<u>\$51,544</u>	<u>\$24,956</u>	<u>\$31,623</u>	<u>\$41,923</u>	<u>\$52,846</u>

As shown by the Statement of Changes in Fund Balance, Exhibit B, the State Economic Opportunity Office returned \$3,701 to the Federal Government during the grant fiscal year ended January 31, 1970. This amount represents the excess of federal funds received in prior grant periods over the required federal

participation for those years as shown by the following summary.

	<u>G r a n t P e r i o d</u>				
	<u>8/6/65-</u> <u>4/30/67</u>	<u>5/1/67-</u> <u>1/31/68</u>	<u>2/1/68-</u> <u>1/31/69</u>	<u>2/1/69-</u> <u>1/31/70</u>	<u>Total</u>
Federal Grant Authorized	\$49,387	\$24,093	\$29,485	\$33,485	\$136,450
Federal Funds Used	<u>46,390</u>	<u>22,460</u>	<u>25,840</u>	<u>33,485</u>	<u>128,175</u>
Excess to be Returned	2,997	1,633	3,645	-0-	8,275
Amount Withheld by Federal OEO from Subsequent Period Grant	514	2,098	1,962	-0-	4,574
Amount Repaid to Federal OEO During Grant Year Ended January 31, 1970	<u>2,483</u>	<u>(465)</u>	<u>1,683</u>	<u>-0-</u>	<u>3,701</u>
Balance Due January 31, 1970	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

As the summary illustrates, the repayments brought the excess federal OEO funds down to zero as of January 31, 1970.

Based upon our recommendations made in our audit report for the preceding grant fiscal year, the State Economic Opportunity Office now maintains a double-entry accounting system on the accrual basis of accounting. Other recommendations made in our audit report for the grant fiscal year ended January 31, 1969, have also been implemented.

EMPLOYEE ATTENDANCE RECORDS

In our first audit report of the State Economic Opportunity Office which was for the grant period ended January 31, 1968, we pointed out the need for maintenance of formal employee time records and records for the accumulation and use of vacation, sick leave, and overtime. These are basic business records and federal guidelines require that they be maintained.

Based upon our recommendation, these records were maintained through August 1969. The SEO office has, however, had several personnel turnovers since the issuance of our original report and the attendance reports and leave

records have not been maintained in an adequate manner since August 1969.

RECOMMENDATION

We recommend that the State Economic Opportunity Office maintain formal employee attendance records and records showing time off earned, taken, and the balance for all employees' vacation, sick leave, and overtime.

IN-KIND CONTRIBUTIONS

There were two contracts for professional and technical services between the SEO Office and two University of Montana professors. The contracts provided for maximum payments of \$300 each and that any additional services would be credited to the agency as in-kind services. Each professor was paid \$300 as compensation in accordance with the contracts and the SEO Office recorded \$300 additional costs as in-kind service for each contract. The office did not have any supporting documentation for the \$600 additional in-kind service recorded until, upon our questioning, documentation was subsequently obtained from the professors.

RECOMMENDATION

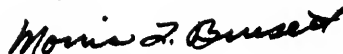
We recommend that the State Economic Opportunity Office establish and maintain adequate supporting documentation for all in-kind services.

CONCLUSION

We believe that except for the needed improvements discussed above, the Montana State Economic Opportunity Office continues to have a system of internal control that fulfills the requirements of the federal grant.

The comments and recommendations contained in this report have been discussed with the director of the State Economic Opportunity Office. We wish to express our appreciation to him and his staff for their cooperation.

Respectfully submitted,

A handwritten signature in black ink, reading "Morris L. Brusett". The signature is written in a cursive style with a prominent "M" and "B".

Morris L. Brusett
Legislative Auditor

June 5, 1970

STATE ECONOMIC OPPORTUNITY OFFICE

ALL FUNDS

BALANCE SHEET

January 31, 1970

	General Fund	Federal and Private Revenue Fund	General Fixed Assets	Total All Funds	Less Interfund Obligations	Net Total All Funds
<u>Assets</u>						
Cash in State Treasury	\$ -	\$ 2,081	\$ -	\$ 2,081	\$ -	\$ 2,081
Appropriation	2,119	-	-	2,119	-	2,119
Due from Federal and Private Revenue Fund	330	-	-	330	330	-
Equipment	-	-	694	694	-	694
Total	\$ 2,449	\$ 2,081	\$ 694	\$ 5,224	\$ 330	\$ 4,894
<u>Liabilities, Reserves, and Fund Balance</u>						
Accounts Payable	\$ -	\$ 1,751	\$ -	\$ 1,751	\$ -	\$ 1,751
Due to General Fund	-	330	-	330	330	-
Reserve for Investment in General Fixed Assets	-	-	694	694	-	694
Fund Balance (Exhibit B)	2,449	-	-	2,449	-	2,449
Total	\$ 2,449	\$ 2,081	\$ 694	\$ 5,224	\$ 330	\$ 4,894

EXHIBIT B

STATE ECONOMIC OPPORTUNITY OFFICE
ALL FUNDS
STATEMENT OF CHANGES IN FUND BALANCE
Grant Fiscal Year Ended January 31, 1970

	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>
Fund Balance, February 1, 1969	\$ 2,987	\$ 5,663
Add:		
Revenues (Exhibit C)	<u>9,114</u>	<u>31,523</u>
Total Balance and Additions	12,101	37,186
Deduct:		
Expenditures:		
Shared Program Costs (Exhibit C)	8,438	33,485
Non-Shared Costs	28	-
Excess Federal Funds over Resources Applied During Previous Grant Periods - Returned to Federal Government During the Grant Period	-	3,701
Appropriation Reversion, June 30, 1969	<u>1,186</u>	<u>-</u>
Fund Balance, January 31, 1970	<u>\$ 2,449</u>	<u>\$ -</u>

STATE ECONOMIC OPPORTUNITY OFFICE
ALL FUNDS
STATEMENT OF REVENUES
Grant Fiscal Year Ended January 31, 1970

	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>	<u>Total</u>
Appropriation	\$ 4,500	\$ -	\$ 4,500
State In-Kind Contributions	4,614	-	4,614
Federal Grant No. 6082 D	<u>-</u>	<u>31,523</u>	<u>31,523</u>
Total Revenues	<u>\$ 9,114</u>	<u>\$31,523</u>	<u>\$40,637</u>

STATEMENT OF GRANT EXPENDITURES COMPARED WITH AUTHORIZATION
Grant Fiscal Year Ended January 31, 1970

	<u>Federal Grant Authorization</u>	<u>Expenditures</u>	<u>Under (Over) Authorization</u>
Personal Services	\$29,451	\$31,199	\$(1,748)
Operation:			
Supplies and Materials	720	401	319
Travel	7,276	4,308	2,968
Equipment Rental	431	440	(9)
Space Rental	1,254	1,254	-
Accounting, Auditing, and Legal Services	690	705	(15)
Other Consultants and Contract Services	675	1,720	(1,045)
Other Costs	<u>1,426</u>	<u>1,896</u>	<u>(470)</u>
Total Operation	<u>12,472</u>	<u>10,724</u>	<u>1,748</u>
Total Expenditures	<u>\$41,923</u>	<u>\$41,923</u>	<u>\$ -</u>
Grant Expenditures by Fund:			
General Fund	\$ 8,438	\$ 8,438	\$ -
Federal and Private Revenue Fund	<u>33,485</u>	<u>33,485</u>	<u>-</u>
Total Expenditures	<u>\$41,923</u>	<u>\$41,923</u>	<u>\$ -</u>

EXHIBIT D

STATE ECONOMIC OPPORTUNITY OFFICE
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Grant Fiscal Year Ended January 31, 1970

Equipment - Balance, February 1, 1969	\$ 335
Additions:	
Bookcase	59
Electric Typewriter (used)	<u>300</u>
Equipment - Balance, January 31, 1970	<u>\$ 694</u>

